



BUDGET MESSAGE

City Administrator's Budget Message

INTRODUCTION



In accordance with the City Charter, I am pleased to present to the City Council the recommended budget for fiscal year 2010. Under normal circumstances, staff would be presenting a *two-year* financial plan. However, given the level of uncertainty created by the current economic crisis, developing a recommended plan for fiscal year 2011 is not practical, and would likely be subject to significant change. We have therefore decided to focus our attention on fiscal year 2010 only.

The recommended budget includes significant reductions to General Fund spending as part of a comprehensive balancing strategy to mitigate the impacts of both declining revenues and rising costs. Despite these reductions, staff believes the recommended budget is balanced, fair, and in line with the overall priorities of our community.

Budget Overview and Highlights

The fiscal year 2010 recommended budget is comprised of all City funds, including the General Fund, special revenue funds and enterprise funds. Each fund accounts for distinct and uniquely funded operations. The recommended budget includes a total combined operating budget of \$253.2 million and a combined capital budget totaling \$29.2 million. The recommended budget is summarized in the table below by fund type.

The General Fund, the primary and largest individual fund in the City, is comprised of six operating and three administrative departments. The recommended General Fund operating budget totals \$104.7 million and includes an additional \$1.3 million for capital expenditures.

Special revenue funds account for restricted revenues and have a combined recommended operating budget of \$54.4 million and a combined capital budget of

City of Santa Barbara Summary of Fiscal Year 2010 Recommended Budget by Fund Type				
	Operating Budget	Capital Program	Total	% of Total
General Fund	\$ 104,745,828	\$ 1,302,670	\$ 106,048,498	37.6%
Special Revenue Funds	54,400,117	11,372,666	65,772,783	23.3%
Enterprise Funds	77,100,733	14,135,847	91,236,580	32.3%
Internal Service Funds	16,994,914	2,340,850	19,335,764	6.8%
	<u>\$ 253,241,592</u>	<u>\$ 29,152,033</u>	<u>\$ 282,393,625</u>	<u>100.0%</u>



BUDGET MESSAGE

City Administrator's Budget Message

\$11.4 million. This category of funds includes the Redevelopment Agency, which is a separate legal entity created to eliminate blight and provide low and moderate income housing in the community.

Enterprise funds on a combined basis make up approximately one-third of the City budget. They consist of six distinct operations funded from user fees and charges. Enterprise operations are managed and operated much like private sector businesses. They require a significant investment in plant, equipment, and infrastructure to deliver services. Their operating budgets total \$77.1 million, and have a recommended capital budget of \$14.1 million.

Internal service funds provide services exclusively to other city operations, including building maintenance, information systems, vehicle maintenance and replacement, and insurance. Their recommended budget includes an operating budget of approximately \$17 million and a \$2.3 million capital program budget.

IMPACTS OF ECONOMIC CRISIS ON CITY

Local Perspective on Global Recession

The United States is in the midst of the worst economic downturn since the Great Depression. Several major American corporations are on the verge of bankruptcy or have required massive infusions of capital from the federal government. Unemployment in the nation rose to 8.5% in March due to the loss of nearly 700,000 jobs. Housing prices nationally have declined significantly and consumer confidence is at near-historic lows.

Because of the economic situation, Congress passed the American Recovery and Reinvestment Act (ARRA) in February 2009. The legislation contains almost \$1 trillion in funding for a variety of measures designed to jump-start the economy, including funding to State and local agencies for "shovel ready" capital projects and public safety. However, it will take several months for these funds to start taking effect at a national level.



The City of Santa Barbara began seeing the effects of a slowing economy in early 2008. However, the situation worsened dramatically beginning in September 2008. For example,



BUDGET MESSAGE

City Administrator's Budget Message

sales taxes for the quarter ended September 30, 2008 fell 0.6% from the same quarter of the previous year, then fell by 11.7% for the December quarter. In the visitor sector of our economy, Transient Occupancy Tax (TOT) revenues dropped by 11.4% in November in relation to the same month of the prior year, 10.6% in December and 1.8% in January; but then declined 20.8% in February and 20.7% in March. Declines of this magnitude have not been seen in the more than twenty years this data has been collected.

The greatest impact of the economic crisis has been on the General Fund, which relies heavily on tax support to finance those services typically associated with local government – public safety, library, recreation, parks, building, planning and general administration.

City Faces a \$10.6 Million General Fund Deficit

When the 2009 General Fund budget was developed in early 2008, the effects of the emerging economic downturn were beginning to have an impact on General Fund revenues. As a result, the fiscal year 2009 adopted budget included approximately \$2.5 million of one-time measures, coupled with an equal amount in departmental cuts, to close a projected \$5 million budget gap. This strategy was based upon economic projections that predicted the economy would begin to recover during fiscal year 2010. If the recovery had occurred, we could have dealt with the \$2.5 million structural deficit carried forward from fiscal year 2009 with minimal reductions to City services in fiscal year 2010.

Unfortunately, the economic condition worsened, and the projected \$2.5 million structural deficit in fiscal year 2009 grew to \$5.1 million by December 2008. Based upon our most recent estimates, the projected gap is now \$6.4 million. As a result, we have implemented a number of measures to address the current year projected deficit. These include implementing a hiring freeze for all but the most essential City positions, eliminating all non-essential travel and training, and severely curtailing expenditures for supplies and contractual services. However, with only a few months left in the current fiscal year, completely offsetting this deficit will be difficult.

For fiscal year 2010, the impacts are much greater. Due to continued poor economic data and further deterioration of revenues, our latest estimate of the projected deficit for fiscal year 2010 is now \$10.6 million – approximately 10% of the General Fund's total operating budget.



BUDGET MESSAGE

City Administrator's Budget Message

Historic Declines Seen in Key General Fund Revenues

The last six months have brought the greatest declines in key revenues in at least the past seventy years. As shown in the accompanying table, growth rates from fiscal years 2003 through 2008 for the three largest revenues - transient occupancy taxes (TOT), sales taxes, and property taxes - have been positive. In fact, during this six-year period, TOT revenues have grown an average of 4.7%, sales taxes have grown an average of almost 3%, and property taxes have grown an average of 9.7%. However, beginning in 2009, circumstances changed dramatically. Based on the most recent data, we have significantly lowered our growth estimates for fiscal years 2009 and 2010.

GENERAL FUND Key Tax Revenues Historical Growth Rates			
Fiscal Year	TOT	Sales Taxes	Prop. Taxes
2003	0.30%	2.20%	9.00%
2004	5.10%	2.80%	7.90%
2005	6.90%	2.80%	9.70%
2006	8.60%	5.90%	12.90%
2007	5.50%	0.70%	11.90%
2008	1.90%	3.30%	6.60%
2009 Est.	-4.90%	-7.00%	3.20%
2010 Est.	-2.20%	-1.40%	3.00%

The fiscal year 2009 estimates now project that sales tax revenues will be down by over \$2 million and TOT revenue will be down by over \$1 million from the adopted budget, while property tax revenues will remain relatively stable. For these three key revenue sources alone, revenues will be \$3.2 million below projections in fiscal year 2009. For fiscal year 2010, the total reduction for these three revenues is \$5.3 million below original estimates (See chart below).

	Fiscal Year 2009			Fiscal Year 2010		
	Adopted Budget	Estimated Year-End	Projected Vaiance	Original Estimate	Revised Estimate	Change
Sales Taxes	\$ 20,434,000	\$ 18,391,000	\$ (2,043,000)	\$ 21,251,360	\$ 18,142,000	\$ (3,109,360)
Property Taxes	23,306,000	23,165,000	(141,000)	24,238,240	23,860,000	(378,240)
TOT	13,334,000	12,296,000	(1,038,000)	13,867,360	12,027,000	(1,840,360)
	<u>\$ 57,074,000</u>	<u>\$ 53,852,000</u>	<u>\$ (3,222,000)</u>	<u>\$ 59,356,960</u>	<u>\$ 54,029,000</u>	<u>\$ (5,327,960)</u>

Increased Costs Put Added Pressure on General Fund Deficit

The General Fund financial situation is also impacted by increased costs, primarily for employee salaries and benefits. The City currently has existing contracts with most labor unions that provide for higher wages and benefits in fiscal year 2010. If no adjustments are made, these contracts would increase expenditures next year by approximately \$3.4 million in relation to the fiscal year 2009 adopted budget, contributing to the overall shortfall.



BUDGET MESSAGE

City Administrator's Budget Message

Status of General Fund Budget Reserves

In 1995, the City Council adopted a resolution establishing reserve requirements for all funds, including the General Fund. The reserve policy established three separate reserves, each designated for a specific purpose, as defined below.

Capital Reserve – For the General Fund, this reserve is set at a fixed amount of \$1 million to be available for one-time cost overruns for capital projects.

Budgetary Reserve – This reserve is set at 10% of the operating budget, to be used to respond to economic downturns and unbudgeted, unanticipated, one-time costs.

Disaster Reserve – This reserve is set at 15% of the operating budget, to be used to respond to natural disasters such as earthquakes, floods, fires, etc.

Since fiscal year 2002, nearly all of the General Fund's budgetary reserves have been consumed. In part, the use of reserves was by design, in response to economic downturns, such as the period directly after the "9-11" attack on the World Trade Center. Budgetary reserves were used at that time to provide a "soft landing" as the City reduced the size of operations and minimized the impacts on City residents. In other cases, budget reserves were used to cover the unanticipated costs of labor agreements that exceeded budgeted amounts. And over the past two years, budget reserves have been consumed when revenues declined rapidly before adjustments could be made to reduce costs.

On July 1, 2009, we anticipate General Fund reserves will total approximately \$17 million. We are not recommending the use of any of these reserves to balance the fiscal year 2010 budget.

Other City Services Impacted by the Economic Downturn

In addition to the services funded in the General Fund, the City also provides *other* important services. These services are accounted for in separate enterprise funds, special revenue funds, and internal service funds. In addition to the impacts noted in the General Fund, these other services have also been affected to varying degrees.

For example, the City's municipal golf course has seen the number of golf rounds decline by approximately 6% in the first half of fiscal year 2009. The Airport Fund has seen passenger counts drop by double digits from January through March, and is projecting a 8% overall decline by the end of fiscal year 2009. The Waterfront Fund, which accounts for the services provided along the waterfront, including Stearns Wharf and the harbor, has experienced a loss



BUDGET MESSAGE

City Administrator's Budget Message

of revenues, primarily from a decline of slip transfer fees. The Downtown Parking Fund, which accounts for the operation and maintenance of the City's public parking facilities, has likewise seen a decline in parking transactions. Other enterprise funds include the Water and Wastewater Funds, which have not seen declines in revenues due to the current economic downturn.

Special revenue funds are used to account for monies that are restricted to a specific purpose. Examples include special grant funds, the Streets Fund, and the Creeks Fund. To the extent revenues in these restricted funds are received from federal or state granting agencies, they may be in jeopardy as the Federal and State governments look for ways to cut programs in response to their own budget shortfalls.

Internal service funds are used to account for services provided by one department to other City departments. Examples include motor pool, building maintenance, information systems, and risk management. These operations are financed through charges levied on operating departments of the City. While not directly impacted by the economic crisis, all internal service funds' budgets include proposed cutbacks in order to reduce costs to departments.

RESPONSE TO ECONOMIC CRISIS

A Balanced Approach Used to Balance the Budget

When staff developed the strategy to address the \$10.6 million projected General Fund deficit in fiscal year 2010, our main objective was to deal directly and honestly with the City's structural deficit, while minimizing service level impacts to the public, especially in public safety. This approach relies primarily on reducing ongoing costs, with a minimum use of one-time monies. Due to the depletion of most of the City's General Fund Budget reserves, no use of these reserves is proposed.

The balancing strategy primarily includes measures that provide on-going, long-term reductions to costs or increases to revenues. In addition, the balancing measures provides for approximately \$300,000 as a contingency in case of future unexpected declines in revenues, or if economic conditions improve more quickly than expected, the funds could be used to restore services and eliminated staff position. Thus, the balancing measures total \$10.9 million, as shown below.



BUDGET MESSAGE

City Administrator's Budget Message

One-Time Measures:

Labor Cost Reductions	\$ 1,500,000
Capital Program Reductions	795,325
	<u>2,295,325</u>

On-Going Measures:

Departmental Budget Adjustments	7,400,000
Reductions to Community Organizations	228,452
Allocation of Costs to Enterprise Funds	460,983
Internal Service Fund Reductions	495,541
	<u>8,584,976</u>

Total	\$ 10,880,301
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Each of these elements is discussed below.

Labor Cost Reductions (\$1.5 Million)

The proposed budget includes \$1.5 million in anticipated General Fund savings due to labor cost reductions. When the national economic crisis first hit and it was apparent that this situation would have a negative impact on the City's budget, many employees expressed interest in reducing hours, freezing benefits, or accepting work furloughs in order to minimize service impacts on the public and reduce employee layoffs. As a result, the City's Employee Relations Manager has been negotiating informally or formally with most of our employee groups to achieve cost savings that can reduce overall expenditures and help to close the budget gap.

Leading by example have been the City's Supervisors Association and unrepresented managers. Both of these groups will be subject to mandatory work furloughs, frozen benefit packages, and a suspension of the vacation cash out option. These concessions will generate approximately \$840,000 of savings to the General Fund.

The Treatment and Patrol Officer units have also agreed to similar concessions in their recently approved contracts. Most of these employees work in non-general fund operations. However, the savings generated through these agreements will avoid possible service reductions or additional fee increases in these operations as well.



BUDGET MESSAGE

City Administrator's Budget Message

We are still in discussions or negotiations with the Police Management Association, the Police Officer's Association, the Firefighters Association, and the Service Employees International Union (SEIU) in order to not only meet our goal of \$1.5 million, but exceed it. Should we exceed this goal, our intention would be for the Council to utilize these funds to restore service cuts, assuming economic conditions permit.

Capital Program Reductions (\$795,325)

The General Fund multi-year forecast originally provided for \$1,898,305 in funding from operating revenues for capital projects. This funding was based on ongoing capital programs, current projects that will continue through next fiscal year, and the objective to provide additional funding for the backlog of capital projects that has built up over the years. In light of the budget shortfalls, we have reduced the funding by \$795,325 to approximately \$1.1 million.

In many cases, projects scheduled for funding next year have been deferred. For example, one key project proposed to be put on hold is the replacement of the City's financial management system. It is a three-year project that was scheduled to begin late in fiscal year 2009; it has been delayed until the start of fiscal year 2011 – essentially a 13 to 16 month delay.

Departmental Budget Adjustments (\$7.4 Million)

The largest component of the balancing strategy is direct adjustments to programs and services. All General Fund departments were asked to find savings or increased revenues totaling \$7.4 million. Although public safety (police and fire) represents over 50% of the total General Fund operating budget, the allocation was made using a formula that allocated only one-third of the \$7.4 million to public safety (police and fire) and the remaining two-thirds to all other General Fund departments. This formula results in adjustments of 4.7% to Police and Fire Departments and 9.9% to non-public safety departments, twice that of public safety. The resulting allocation is shown in the accompanying table.

GENERAL FUND			
Allocation of \$7.4 Million by Department			
Department	Baseline Budget	Allocation	% of Budget
Administrative Services	\$ 2,469,849	\$ 243,484	9.9%
City Administrator	2,287,449	225,503	9.9%
City Attorney	2,356,052	232,265	9.9%
Community Development	10,308,373	1,016,226	9.9%
Finance	4,745,646	467,838	9.9%
Public Works	7,311,682	720,805	9.9%
Library	4,613,476	454,808	9.9%
Mayor & Council	848,160	83,614	9.9%
Parks & Recreation	15,068,158	1,485,457	9.9%
Police	33,555,791	1,562,117	4.7%
Fire	19,502,198	907,883	4.7%
TOTAL	\$ 103,066,834	\$ 7,400,000	7.2%



BUDGET MESSAGE

City Administrator's Budget Message

Each department developed its own strategy to meet the budgetary target. A strong emphasis was placed on minimizing service level impacts on City residents, and especially on preserving critical public safety services.

Another area of emphasis has been to avoid employee layoffs whenever possible. Since labor costs represent approximately 76% of total General Fund costs, it was virtually impossible to generate this magnitude of cuts without eliminating positions. Fortunately, due to the hiring freeze, many of these positions are currently vacant.

In total, the recommended fiscal year 2010 budget includes the elimination of 51.45 full-time equivalent positions, with the vast majority to be eliminated effective July 1, 2009. The majority of the positions recommended for deletion are either currently vacant or will become vacant in fiscal year 2010. Human Resources staff is working closely with all departments to minimize layoffs. Strategies include moving employees into other non-General Fund positions for which they may be qualified, contracting with enterprise operations to do work formerly performed by outside service providers, and using employees on special assignments that have outside funding.

In addition to the elimination of permanent positions, the proposed budget also includes the reduction in hourly salary and benefit costs totaling approximately \$393,941. This equates to approximately ten full-time positions. Hourly employees are used by all departments, but most heavily in the Parks and Recreation and Library Departments.

Allocation of Costs to Enterprise Funds (\$460,983)

Staff has analyzed certain City services that are funded from the General Fund to determine if they could reasonably and legally be funded through enterprise funds. For example, several years ago, we identified that the General Fund was paying for landscape maintenance services in the Waterfront parking lots, despite the fact that the revenues from these lots remained in the Waterfront Enterprise Fund. Those costs are now being funded by the Waterfront Fund. As part of the overall balancing strategy, we have identified other costs that we are proposing be funded by enterprise funds beginning in fiscal year 2010.

The first of the recommended cost allocation changes relates to various Waterfront costs. Beginning in fiscal year 2010, we are proposing that the Waterfront Department assume responsibility for the maintenance of three restrooms in the Waterfront area: Stearns Wharf, Leadbetter Beach, and the Visitor's Center restroom on Garden Street. We are also proposing that the Waterfront Department assume responsibility for the maintenance of the Dolphin Fountain at the base of Stearns Wharf. Moving these responsibilities to the Waterfront Department will result in a net savings to the General Fund of \$58,983. In addition, we are also



BUDGET MESSAGE

City Administrator's Budget Message

proposing that the Waterfront Fund pay the costs to provide lifeguards on the beach, totaling \$147,000. Lastly, the General Fund currently pays \$55,000 to produce a fireworks show on the beach in celebration of 4th of July. Beginning July 4, 2009, we are proposing that the Waterfront Department assume those annual costs.

The second reallocation of costs relates to the maintenance of sidewalks on State Street. The Parks and Recreation Department currently pays the Downtown Organization \$721,400 for the ongoing maintenance of the State Street sidewalks and landscaping. Because of the benefit the downtown area receives from the maintenance of State Street sidewalks, and the impact on the sidewalks and landscaping from those utilizing the parking structure in the downtown area, we are proposing that a portion of the cost (\$200,000) be allocated to the Downtown Parking Fund beginning in fiscal year 2010.

Internal Service Fund Reductions (\$495,541)

Internal service funds include operations that provide services exclusively to other City operations. The internal services include centralized information systems, building maintenance, motor pool, risk management and communications. Each year, the General Fund pays approximately \$9.5 million for services provided by internal service funds.

In order to contribute to the savings, most internal service funds were asked to reduce their charges to the General Fund by 7% without significantly reducing services. In effect, they would have to find a way to cut costs while maintaining essentially the same level of services – primarily through increased efficiencies. The 7% reduction in charges will provide almost \$500,000 in savings to the General Fund.

Reductions in Funding to Community Organizations (\$228,452)

The City provides financial assistance totaling approximately \$3.44 million to a number of community groups, organizations and agencies out of the General Fund. These organizations are involved in activities such as promoting the community to attract visitors and tourists, encouraging arts activities and promoting festivals, and providing grants to human services organizations in the community.

Over the past five years, the total funding for community groups has steadily increased at an average growth rate of 3.4%, a total increase of over \$500,000. The largest recipients of funding increases have been the Conference & Visitors Bureau and Film Commission, the County Arts Commission, and the human services grants program. These agencies have seen an average increase in funding of 2.4%, 9%, and 5.2%, respectively, in the last five years.



BUDGET MESSAGE

City Administrator's Budget Message

In light of the magnitude of the financial impacts to the General Fund, reductions in funding to most community organizations have been included in the recommended budget. In general, the reductions have been commensurate with the adjustments allocated to General Fund departments. These reductions will provide \$228,452 in savings to the General Fund in fiscal year 2010.

Similar reductions have been recommended to the contract with the Downtown Organization for cleaning of the sidewalks on State Street in the downtown area and to the Community Media Access Channel, the non-profit organization in charge of programming of the public television channel (Channel 17).

Due to the financial pressure human services organizations are under, and consistent with prior actions of the City Council, we are not recommending any reductions to the City's Human Services Grant program.

Departmental Cuts Will Impact Service Levels to the Public

As each department put together its proposed budgets, considerable thought and analysis went into developing honest and sound financial plans that would have the least impact on services provided to the public. For the most part, these efforts have been successful. However, it is critical to understand that the level of cuts we are proposing will have some impact on services. Response times may be longer, public counters will not always be staffed, and some facilities will be closed or have reduced operating hours. Additionally, despite all of our best efforts, the workforce reductions we are proposing will result in a number of employees losing their jobs.

A comprehensive description of the financial impacts, the balancing strategy, and the service level impacts is included for each department in the Departmental Budget section of this document. A summary of the balancing strategy developed by each department is provided below.

Administrative Services

The Administrative Services Department includes Human Resources and City Clerk Divisions. Their share of the \$7.4 million allocated budget adjustment is approximately \$244,000, which was met primarily through workforce reductions that will save approximately \$152,000.

A vacant Human Resources Assistant will be eliminated. As a result, certain tasks will be reassigned to, and absorbed by, other Human Resources staff. The impacts to services will include delays to the completion of various functions, including maintenance of the City's on-



BUDGET MESSAGE

City Administrator's Budget Message

line job application system and records management function, and the discontinuance of outreach efforts tied to the City's internship program.

A vacant Deputy City Clerk position will also be eliminated, which will cause delays in the preparation of City Council minutes, responding to research requests, tracking Conflict of Interest filings, conducting outreach for boards and commissions, and tracking and follow-up on required City Council and board and commission member training.

The department has also substantially cut back citywide training, including the Leadership for Excellence and Performance (LEAP) program, the City Leadership Academy (CLA) program, and the Educational Tuition Reimbursement Program. These reductions, totaling \$77,282, will affect the frequency and quality of these programs to City staff.

City Administrator's Office

The City Administrator's Office was allocated a budget adjustment of approximately \$226,000. This was achieved primarily through workforce reductions totaling approximately \$150,000 and other cuts totaling approximately \$76,000. Three positions will be eliminated, including one full-time City TV Production Assistant, one part-time Communications Specialist, and one vacant, full-time, Executive Assistant position.

The proposed workforce reductions to the City TV Program will result in fewer special televised productions; however, televised coverage of City meetings, production of the monthly episodes of *Inside Santa Barbara* and quarterly episodes of *Garden Wise Guys*, and limited special programming will be maintained.

As a result of the proposed elimination of the Communications Specialist position, communication products for the public and employees may be redesigned, cancelled, or distributed less frequently.

City Attorney's Office

The City Attorney's Office was required to generate savings of approximately \$232,000. Virtually all of these savings were achieved through workforce reductions. A total of five full-time positions were converted from full-time to part-time – in most cases to 80% - and one hourly position will be eliminated, saving \$199,957.

The elimination of positions will have a measurable but indeterminate impact on the City Attorney's level of service.



BUDGET MESSAGE

City Administrator's Budget Message

Community Development

The Community Development Department's share of the \$7.4 million budget adjustment is approximately \$1 million. While some additional revenues were identified, their share was achieved mostly through expenditure cuts, including the elimination of nine staff positions valued at approximately \$741,000.

Although the decline in development activity has lessened the workload of Community Development staff, eliminating nine positions will have measurable impacts and will affect their ability to provide a consistent level of service. Some examples include:

- Delays in processing special ordinance revision requests;
- Decreased efficiency in zoning enforcement;
- Overall slowdown in development review applications;
- Decreased staff support to the Neighborhood Improvement Task Force; and
- Decreased support to *Plan Santa Barbara* and the ability to keep on schedule.

Finance

The Finance Department's strategy to close its approximately \$470,000 budget gap includes both cuts in expenditures, including elimination of positions, as well as additional revenue from a newly proposed fee.

Effective July 1, a new fee of \$5 will be assessed on delinquent utility accounts. The City processes thousands of delinquency notices per year, and currently no penalties are assessed to deter delinquencies or to recover the costs associated with processing them. We have conservatively estimated revenues from this new fee at \$100,000.

Workforce reductions include the elimination of two vacant full-time positions, saving \$156,885. One of the positions to be eliminated is a Senior Accountant position that provides general accounting and financial reporting support in the Accounting Division. The second position to be eliminated is an Administrative Specialist position, which is one of several of these position in the Treasury Division that performs a variety of cashiering and revenue collection duties. We have also allocated an additional 12.5% of the Assistant Finance Director's salary and benefit costs (\$25,306) to the Solid Waste Fund, bringing the total



BUDGET MESSAGE

City Administrator's Budget Message

allocated to 50%. This will align the allocation of costs with the amount of time spent managing that operation.

As one of several administrative departments, the Finance Department's primary purpose is to provide finance-related services to other City operations. As such, the cuts in staffing will have a measurable impact on the Finance Department's level of services provided to other departments and, to a lesser extent, to external customers. Work assignments will have to be re-prioritized and some non-critical duties will receive less attention, while others may be discontinued indefinitely.

Non-personnel costs will also be reduced in total by \$148,485. The most significant of these is the proposed elimination of the ongoing revenue audit program performed by contract for payments of TOT from hotels, utility users' taxes from utility companies, and sales taxes from the State Board of Equalization. The elimination of the contracted services for revenue audits, while considered a temporary measure, may result in an unquantifiable loss of revenue that may otherwise have been detected through these audit efforts. However, revenues will continue to be monitored by City staff for unusual payments or trends, and specific action will be taken as appropriate. These measures will not have any impacts to services.

Fire

The Fire Department's allocated budget cut is approximately \$908,000. A portion of this (\$300,000) was met through an increase in mutual aid revenues based on the revenues collected in the last three years. The remainder of the adjustments were cuts in personnel costs totaling approximately \$574,000.

Two non-sworn positions will be eliminated – an Office Specialist and a Public Education Coordinator – generating savings of approximately \$161,000. Other personnel cost cutting measures include:

- Reducing overtime for minimum staffing based on a three-year trend of reduced sick leave usage (\$121,710);
- Maintaining the current vacancy in the relief Fire Captain rank (\$25,657); eliminating five "relief" positions (\$125,000);
- Implementing an interim management strategy for the first six months of the fiscal year in connection with the retirement of the Fire Chief to achieve savings of approximately \$109,000; and
- Reducing funding for hourly positions in Fire Administration and the Office of Emergency Services (\$31,875).



BUDGET MESSAGE

City Administrator's Budget Message

The elimination of the Office Specialist position will result in slower processing time for public records requests, and processing purchase requisitions and claims for payments to vendors. In addition, many incoming non-emergency calls will be transferred to an answering machine. The elimination of the Public Education Coordinator position will result in certain services and duties being discontinued, including public education for senior citizens and public education outreach events, Office of Emergency Services website maintenance, and staff support to the Emergency Services Manager.

The elimination of the five "relief" positions should have no impact on the services provided to the public or in any way impact the safety of the public. Due to the benefits granted to sworn fire personnel, paying overtime in lieu of filling these positions saves approximately \$25,000 per position. This strategy will be implemented over time through attrition and the \$125,000 savings will be achieved when the positions are not filled.

Library

The Library Department's allocated budget cut is approximately \$455,000. The Library also needed to identify an additional \$203,000 in cuts to offset declines in Library revenues.

All but \$5,000 of the approximately \$658,000 allocated adjustment was realized through expenditure reductions, including \$550,372 from the elimination of eight positions, only two of which are vacant. In addition, the Library will cut back on spending for books, DVDs, music CDs, books on CD, downloadable audio books, and online databases.

Due to the elimination of eight positions, the Central and East Side Libraries will be closing on Mondays. In addition, there will be a measurable reduction in services to the public in several areas. The loss of two professional Librarian positions will affect reference services provided to the public. In addition, delays will occur in the completion of tasks requiring professional attention, such as book selection, collection maintenance activities and training.

With the elimination of the Senior Librarian position in the Youth Services Program, certain programs targeted to teens will either be reduced or eliminated. Collaboration efforts and memberships in local organizations and community-wide coalitions will also be reduced or eliminated.



BUDGET MESSAGE

City Administrator's Budget Message

Mayor and Council's Office

The Mayor & Council's Office met their allocated budget cut of approximately \$84,000 through reductions to several expenditure accounts, including a 75% reduction in their budget for meeting and travel and paid interns. Reductions are also proposed for dues, memberships, and other miscellaneous expenditures.

The budget reductions will not materially affect services provided to the public. However, the reduced meeting and travel budget may reduce the City's involvement and representation in state and national discussions for local government leaders.

Parks and Recreation

The Parks and Recreation Department's share of the allocated budget cut is approximately \$1.5 million. Of this total, \$962,707 was achieved through the elimination of thirteen staff positions and 16,871 hours of seasonal staff. An additional \$459,506 in savings is proposed from reductions to non-personnel expenditures across all divisions, including contracted work, equipment purchases, supplies, training and travel.

In the Parks Division, 4.7 full-time equivalent (FTE) positions, including hourly staff, will be eliminated. This will have a direct impact to the maintenance efforts for City parks. For example, mowing at eighteen parks will occur bi-weekly instead of weekly; there will be a 40% reduction in pruning and maintenance of park and facility trees; and the vegetative fuels reduction program will be scaled back to include defensible space only.

In the Recreation Division, 13.3 FTEs, including hourly staff, will be eliminated. This will result in the reduction or elimination of several programs and services. Examples include:

- The Lower Westside Center will be closed;
- The 1235 Teen Center will be closed Saturdays;
- The Oak Park Wading Pool will remain closed;
- Recreation Swim at Ortega Pool will be cancelled;
- The Senior Tour Program will be cancelled; and
- The Fun on the Run mobile recreation, adapted recreation programs and Summer Concerts in the Park will be suspended until fund raising can support programs.



BUDGET MESSAGE

City Administrator's Budget Message

In the Administration Division, the loss of 1.4 FTEs will cause delays in facility improvement projects and will require closing the reception desk one hour earlier – from 6:00 p.m. to 5:00 p.m.

Police

The Police Department's share of the allocated budget cuts is approximately \$1.6 million.

The Department achieved its allocated cut largely through new or enhanced revenues totaling over \$1.3 million, of which \$715,500 relates to anticipated federal grants made available through the federal stimulus package – the American Recovery and Reinvestment Act (ARRA) - enacted in February 2009. In addition, six non-sworn positions will be eliminated which will generate savings of approximately \$670,000.

Federal grants made available through ARRA include an entitlement grant of approximately \$209,000, called the Ed Byrnes Justice Assistance Grant ("JAG"), that will be used to fund one sworn position for two years that would have otherwise been eliminated. An additional amount of funding will be received to administer the grant on behalf of other agencies in the County.

A second grant, the Citizen Oriented Policing (COP) grant is a *competitive* grant and is not guaranteed. Funding for four sworn positions is being sought from this grant, totaling \$451,420. If the grant is not awarded, these sworn positions will be eliminated. Since the grant funding is not eligible for supervisory level positions, two vacant positions - a Lieutenant and a Sergeant – have been downgraded in rank to the police officer level.

Workforce reductions include the elimination of three non-sworn positions effective July 1, 2009 – a Network Technician, an Animal Control Officer, and a Records Specialist. Three additional non-sworn positions will be eliminated at different times during the year based on the anticipated retirements of the individuals currently filling the positions, including a Range Master, a Records Manager, and an Animal Control Supervisor.

Based on the grant funding that could avoid the elimination of any sworn personnel, the only anticipated impact to the Department and public is the downgrade of two supervisory level sworn officers.

The elimination of administrative staff will require the redistribution of work among existing staff. This work is primarily for the benefit of internal operations and, as such, should not affect the public. The elimination of the Animal Control Officer on July 1 and the Animal Control Supervisor late in fiscal year 2010 (planned retirement) will result in a 20% reduction



BUDGET MESSAGE

City Administrator's Budget Message

in citation production and increases to response times. The duties of the Animal Control Supervisor will be assigned to an Administrative Services Sergeant.

The Department is also proposing the elimination of the school crossing guard program that provides hourly employees to assist children to cross streets adjacent to schools. We will work closely with the schools to implement other alternative arrangements such as utilizing parents, volunteers, or school personnel to assist children in getting safely to and from school. The savings from eliminating this program total \$112,000.

Public Works

The Public Works Department's allocated share of the budget cuts is approximately \$721,000. This was achieved through a combination of new and enhanced revenues, reductions in workforce and cuts to non-personnel expenditures.

Revenues from engineering charges tied to capital improvement projects across all City funds were increased by \$315,000. This was accomplished by moving two non-billable positions from the Land Development Program. Other engineering revenues have been lowered by \$85,000 due to the decreased level of activity in the Land Development function Citywide.

Workforce reductions totaling almost \$300,000 include the elimination of one full-time Principal Engineer position, a downgrade of an existing administrative position, and the movement of four positions out of the General Fund to other Public Works Funds/Programs.

The balance of the expenditure reductions include:

- Reduced contract support for the Real Property Management Program for appraisals and right-of-way issues;
- Reduction to funding for the Leaking Underground Fuel Tank (LUFT) program; and
- Reduction in support to the neighborhood clean-ups from four to three per year.



BUDGET MESSAGE

City Administrator's Budget Message

ALTERNATIVE MEASURES

GENERAL FUND Allocation of \$1.9 Million Contingency	
Department	Allocation
Administrative Services	\$ 62,723
City Administrator	58,091
City Attorney	59,833
Community Development	261,786
Finance	120,518
Public Works	185,684
Library	117,162
Mayor & Council	21,539
Parks & Recreation	382,664
Police	398,435
Fire	231,565
TOTAL	\$ 1,900,000

In addition to the \$7.4 million needed from departments to help balance the General Fund budget, departments have also identified \$1.9 million of alternative adjustments. These alternative measures will provide the City Council with additional options to consider when evaluating the recommended budget. The allocation of the "contingency" adjustments by department is shown in the accompanying table.

In total, the alternative measures include the elimination of an additional ten full-time positions and would result in even further impacts to operations and the levels of service provided to the community. A summary of the alternative measures by department is presented in the accompanying table.

City Attorney's Office

The City Attorney's Office proposes shifting the staff costs assigned to tort litigation to the Self-Insurance Fund to achieve their share of additional adjustments totaling \$59,833.

City Administrator's Office

The City Administrator's Office share of the \$1.9 million contingency adjustments is \$58,091. These savings would be generated through additional reductions to the City TV program. Specifically, the frequency of the *Inside Santa Barbara* TV news magazine would be reduced from twelve to six shows per year, and closed captioning and Spanish translation services for all City Council meetings would be eliminated.

Administrative Services

An additional \$62,723 in savings has been identified by the Administrative Services Department to meet their share of the \$1.9 million contingency adjustments. These savings would almost entirely come from the elimination of a LEAP Administrative Specialist position and further reductions to the Tuition Reimbursement Program above the amount included in the recommended budget.



BUDGET MESSAGE

City Administrator's Budget Message

Community Development

The Community Development Department's portion of the contingency adjustments is \$261,786. The majority of the adjustments would come from the elimination of two additional positions – a Building Inspection Aide and a Project Planner – that would save \$193,565. Other adjustments include elimination of stipends paid to City boards and commissions (\$50,700) and other miscellaneous expenditure reductions of \$17,521.

The elimination of positions would be the last measures implemented. If needed, the elimination of the two positions would bring the total staff reductions to 10.5 FTE positions – 15% of the department's General Fund workforce. The incremental impacts of eliminating two additional positions include:

- Reduced support to the Land Development Team;
- Further reductions in lobby staff to assist in customer service;
- Slow down in over-the-counter permit processing; and
- Less dedicated support to long range planning efforts and the department's ability to keep *Plan Santa Barbara* on schedule.

Finance

The Finance Department's share of total contingency adjustments is \$120,518. These savings would come from the elimination of two Administrative Specialist positions, one in the Purchasing Program and the second in the Utility Billing Program.

The Administrative Specialist position in Purchasing is responsible for general administrative support, answering phones, filing, data entry and miscellaneous purchasing duties. These duties would have to be absorbed by the Buyers, thus affecting the turnaround time for processing purchase orders and contracts.

The elimination of the Administrative Specialist position in utility billing will have a direct and measurable impact on utility billing staff's ability to maintain the same level of services to customers. A large part of the workload comes from answering calls from customers regarding their utility accounts. The loss of one of the four positions in that operation will result in more calls going to voice mail for later callback.



BUDGET MESSAGE

City Administrator's Budget Message

Fire

The Fire Department's plan to meet their \$231,565 share of the \$1.9 million contingency adjustments would be the implementation of "Brown-out Shifts."

The Brown-out plan involves closing fire stations on a rotational basis for periods of time during the year. The stations that would likely be closed are Stations #3 (415 E. Sola Street) and Station #6 (1802 Cliff Drive) since they have the lowest frequency of calls. To meet the \$231,565 targeted savings in their contingency plan, a fire station would have to be closed for 72 days during fiscal year 2010. When closed, the staff of that station would backfill absences (sick and vacation time) at other stations.

This option is recommended because it would not require the elimination of staff. Although there is no data to calculate the potential increase in response times in specific districts, we anticipate that response times would not exceed the nationally recognized target of five minutes. The current response time of the City's Fire Department is three minutes.

Library

The Library Department's share of contingency adjustments is \$117,162 and includes several measures. One of the measures is the closure of the Central Library on Sundays, currently open from 1:00 p.m. to 5:00 p.m. This would save \$34,000. Amounts budgeted for collection materials would be reduced by approximately \$42,000. In addition, the Santa Barbara Reads Program would be eliminated.

The Library Department will be renting space to the Police Department during the capital improvements scheduled for the Police Headquarters. The Police Department will pay a fair market rent, totaling approximately \$32,000. This amount is currently not budgeted in the recommended budget, but would be added to Library revenues if needed.

Parks and Recreation

The Parks & Recreation Department has identified a number of proposed adjustments to meet its allocated share of \$382,664 in contingency measures. These measures are in addition to the \$1.5 million in adjustments already included in the recommended budget and would have a significant impact on programs and services.

The adjustments include the elimination of three additional full-time staff and significant reductions to seasonal hourly staff. The specific adjustments are detailed below.



BUDGET MESSAGE

City Administrator's Budget Message

- Reduce 2009 Summer Fun Program to Half-day Format – The program serves approximately 450 low-income children.
- Reduce Participation in Campus-Based Afterschool Program. The impacts would be significant, reducing the number of participants in free afterschool sports leagues by an estimated 210 youths.
- Close West Beach Wading Pool – In the summer of 2008, usage was approximately 2,800. As Oak Park Wading Pool is already proposed to remain closed, there would be no wading pool hours this summer.
- Eliminate Hourly Funding for one of two Job Apprentice Program Coordinator II Positions – This would result in a reduction in the youth served and delays in program development and implementation.
- Eliminate Neighborhood and Outreach Services Supervisor I – This would reduce support for the Youth Council, organizing and scheduling of Youth Speak Outs, and maintenance of Teen Agency collaborations.
- Eliminate Grounds Maintenance Worker I – This would significantly affect the north side, downtown and Riviera parks. Irrigation inspections would be reduced from one week to every two or three weeks. Maintenance service levels would fall from level two to three at the Alamedas, Carrillo Recreation Center, and both libraries. Sites will be inspected and serviced two times per week, from the current level of three to five times per week. Maintenance service levels at Hidden Valley, City offices at 630 Garden Street, San Roque and Spencer Adams will change from level three to level four.
- Eliminate 3,265 Park Seasonal Hourly Staff Hours – This would materially impact services, reducing litter pick up, weeding and mulching, garbage can and BBQ pit maintenance, graffiti removal and landscape bed maintenance; impacts will also be in the preparation of parks for rentals, including sports fields, which will also affect rental revenue, particularly for La Mesa, Shoreline and Chase Palm Parks.
- Eliminate Senior Maintenance Worker – This position handles most of the repairs and almost all of the minor construction projects in the parks system. The loss of this position would have a significant impact on the quality of parks as non-emergency repairs would be limited and construction improvements would be suspended indefinitely.



BUDGET MESSAGE

City Administrator's Budget Message

- Eliminate Spring/Summer Hourly Staff – This would involve the elimination of three 40-hour per week hourly (seasonal) staff doing grounds maintenance in the downtown, beach area, and the north portion of the City. Hourly maintenance staff duties include litter removal, weeding and mulching, garbage can and BBQ pit maintenance, graffiti removal, and landscape bed maintenance. This will also impact areas which are reserved by permits in the following parks and facilities: La Mesa, Shoreline, Leadbetter, Chase Palm Park, East Beach Pavilion, East Beach, De La Guerra Plaza, Storke Placita, East and West Alameda, Alice Keck Park Memorial Garden, Spencer Adams/Lowry Davis Center, 1235 Chapala Street (Teen Center), Ortega, Eastside, Oak, and McKenzie.

Police

The Police Department's portion of the \$1.9 million contingency adjustments is \$398,435. In order to meet their share of adjustments, the department would eliminate four positions.

Three sworn Police Officer positions would be eliminated, but would be mitigated by the addition of two non-sworn Police Technician positions. This would effectively civilianize the two of the three sworn positions. The Patrol Division would absorb the loss of the third sworn position assigned to Nightlife Enforcement.

The Department would also eliminate a Crime Analyst position, which would result in a loss of crime trends and patterns measurement. Although the information would still be available, the timeliness of retrieval and analysis would be slowed considerably.

In addition, an Animal Control Officer and Records Specialist position would be eliminated. Their workload would need to be absorbed by exiting staff. The elimination of the Animal Control Officer is in addition to the elimination of an Animal Control Officer already included in the Police Department's recommended budget.

Public Works

The Public Works Department's share of the contingency adjustments is \$185,684. In order to achieve this target, the department proposes eliminating a Project Engineer II and to reallocate 50% of the work of a Senior Engineering Technician from the General Fund into the Measure D Fund. In addition, the department will work to increase productivity to generate an additional \$45,000 in revenues.



BUDGET MESSAGE

City Administrator's Budget Message

ENTERPRISE FUNDS

Enterprise funds account for essential programs and services, and represent approximately one-third of the City operations. Most enterprise fund operations are impacted to a certain extent by the current economic crisis primarily through a reduction in the demand for services and a corresponding loss of revenues. Each of the enterprise funds is discussed below.

Airport Fund

The current economic downturn has negatively affected the finances of the Airport Fund in two areas. First, the decline in passenger and commercial airline traffic has resulted in a decline in revenues generated from landing fees, parking revenues, and concessions. Secondly, the general decline in the economy has resulted in the loss of some major tenants and rental income is down. In total, revenues for fiscal year 2010 reflect the declining economy and real estate changes and are projected to be approximately \$267,000 (2.3%) below fiscal year 2009.

In developing the recommended budget, the Airport Department's goal was to meet the operational needs of the Airport, while maintaining the cash flow necessary for the issuance of long-term debt to finance the upcoming Airline Terminal Improvement Project. In order to offset the loss of revenues, the Airport Department proposes several measures, including raising parking fees to raise an additional \$60,000 in revenues; and expenditure reductions totaling approximately \$206,765, including the elimination of one position.

In an effort to keep pace with the industry and to encourage alternative transportation, Airport staff is recommending adjustments to parking rates in both the short-term and long-term parking lots. Specifically, an increase from \$17 to \$20 to the maximum daily rate in the short-term lot is proposed. In addition, while the daily rate in the long-term lots will remain at \$9, staff is recommending the discontinuance of the two free days currently offered after seven days of continuous parking. With these changes, parking revenues are estimated to increase by \$60,000 annually.

Proposed expenditure reductions include the elimination of a vacant, full-time, Administrative Assistant position, which will save \$77,118. The position is assigned to the Maintenance Division and is responsible for general accounting and administrative support. Other staff will absorb these duties.

All divisions were requested to reduce their fiscal year 2010 operational expenditures by a minimum of 3% in relation to the fiscal year 2009 adopted budget. With a few exceptions, all divisions met or exceeded the 3% reduction goal. Due to the fixed nature of Aircraft Rescue and Fire Fighting costs, the Certification Division could not meet the 3% reduction.



BUDGET MESSAGE

City Administrator's Budget Message

A minor service level reduction in the Patrol/Operations Division during late night and early morning hours is being proposed. In order to reduce overtime costs, the Division is incorporating the use of technology to allow a reduction in the operating hours of the Security Operations Center, which operates 24 hours per day, 7 days per week. Calls for service received during low activity periods (midnight to 4 a.m.) will be redirected to Patrol Officers in the field.

Downtown Parking Fund

The Downtown Parking Fund is responsible for the maintenance and operation of the City's parking lots and structures. The most recent addition was the Granada Garage on Anacapa Street between Anapamu and Victoria Streets.

Over the past two years, Downtown Parking revenues have not met projections. Although budgeted at \$5 million, they remained close to \$4.5 million for both fiscal years 2007 and 2008. For fiscal year 2009, revenues from hourly parking will decline by approximately \$100,000 to \$4.4 million. We are projecting an additional \$100,000 decline in fiscal year 2010 to an estimated \$4.3 million. These declines are based on current trends of parking transactions, which reflect the general slowdown in the economy.

Beginning in fiscal year 2010 we are recommending a portion of the contract with the Downtown Organization to clean the sidewalks on State Street be allocated to the Downtown Parking Fund. The contract, lowered to \$655,242 for next year, is currently managed by the Parks and Recreation Department and paid out of the General Fund. Because of the benefit the downtown area receives from the maintenance of State Street sidewalks, and the impact on the sidewalks and landscaping from those utilizing the parking structures in the downtown area, \$200,000 of the total contract will be allocated to the Downtown Parking Fund.

We are also recommending a one-year pilot program in conjunction with the Downtown Organization to provide for additional police resources in the downtown area and parking facilities. This recommendation is pursuant to the recent recommendations from the City Council subcommittee on Homeless Issues and Community Relations. The program provides for up to a 50% match to funds provided by the Downtown Organization to employ part-time Police Officers to patrol these areas. The maximum cost to Downtown Parking is \$50,000.

In response to the decline in revenue and these additional costs, we are recommending several measures. The first is the reduction of costs where possible within the operation. Second, we are recommending that the My Ride Program, which provides substantial discounted bus fares to downtown workers using the MTD bus system, be phased out over a two-year period, beginning in fiscal year 2010. This program currently costs \$150,000. Lastly,



BUDGET MESSAGE

City Administrator's Budget Message

we are recommending that Downtown Parking Fund reserves above policy be used primarily to fund the capital program.

Parking rates and trends will continue to be monitored through next year and, if necessary, rates will have to be increased in fiscal year 2011 to make up for continued revenue shortfalls, as well as to build up capital reserve balances as planned several years ago.

Golf Fund

The Golf Fund has experienced a decline in golf rounds of 2.32% for the first seven months of the fiscal year. As a result, revenues for fiscal year 2009 are expected to fall by approximately \$20,000 from fiscal year 2008 and an additional \$110,000 in fiscal year 2010.

Further impacts to revenues may be caused by capital improvements planned at the golf course. Phase III of the Safety Improvement Plan is complete with irrigation improvements in place. Phase IV includes reconstruction of two greens, one tee box and installation of continuous cart paths around the entire course. These projects will begin in the spring and are expected to be completed by September 2009.

No increases to green fees are proposed for fiscal year 2010 in light of the economic environment and the pending impacts of the planned capital improvements. Instead, the projected revenue losses will be offset by expenditure reductions, primarily from a reduction in planned capital expenditures. Other savings will be generated from reductions to hourly staff and various materials and supplies.

Water and Wastewater Funds

The Water and Wastewater Funds are generally not directly impacted by economic downturns. These two utility operations are primarily affected by weather conditions and voluntary conservation efforts that affect water consumption and, therefore, revenues.

A 3.5% increase is proposed to water rates and a 4% increase is proposed to wastewater monthly service charges in fiscal year 2010. In addition, water and wastewater buy-in fees are increasing by almost 100%, which will fund increasing costs of operations, capital improvements and, in the case of the Water Fund, to fund the increased treatment costs caused by impacts to water quality from the Zaca Fire.



BUDGET MESSAGE

City Administrator's Budget Message

Waterfront Fund

The Waterfront Fund relies on revenues generated from the waterfront, including parking fees, commercial leases and slip fees. While most revenues have held steady during this economic downturn, revenues generated from slip transfer fees have declined markedly. Slip transfer fee revenues are projected to be approximately \$500,000 below budget in the current fiscal year and the trend is expected to continue into fiscal year 2010.

In addition, beginning July 1, 2009, we are proposing that the Waterfront assume responsibility for three sets of expenses that are currently paid by the General Fund. The first is the cost for beach lifeguards. The proposed budget recommends that the Waterfront Fund reimburse the Parks and Recreation Department \$147,000 for the cost of this program. Second, we are proposing that the Waterfront take over the responsibility of maintaining three restrooms located along the waterfront -- Stearns Wharf, Leadbetter Beach, and the Garden Street visitor center. Additionally, the Waterfront Department will also take over responsibility for maintaining the Dolphin Fountain at the base of Stearns Wharf. This will result in savings to the General Fund of \$58,883. The third area is paying the direct costs associated with the 4th of July fireworks show on the beach. This expense is \$55,000.

In total, the Waterfront Fund will need to raise revenues and cut costs to close a projected gap of approximately \$500,000 caused by revenue declines, plus an additional \$202,000 to cover the costs allocated from the General Fund.

The Waterfront Department's strategy to address the revenue shortfall and increased expenses is to cut operating expenses, increase user fees, and reduce funding for capital programs. Additional fee increases and capital program cuts will be needed in the next three to five years to maintain reserves at minimum required levels.

Effective July 1, the Department is proposing parking rates be increased in hourly (staffed) lots, honor fee (unstaffed) lots, and on Stearns Wharf. Slip fees will be increased 4% (with a 4% increase in fiscal year 2011 and 3% in fiscal year 2012); visitor slip fees will be increased 50%; and slip transfer fees will be increased. A variety of other administrative fees will be increased such as boat charter permits, public meeting room rentals, maximum daily parking fees for vehicles and boat trailers, and temporary docking fees for visiting (non fishing) vessels. These measures are expected to generate an additional \$722,000 in revenues in fiscal year 2010.

Reductions to operating costs include the elimination of several hourly positions in the Parking and Facilities Maintenance programs. Maintenance projects planned for the public deck at 217 Stearns Wharf (adjacent to the wine tasting room) and the Marine Center Building (125 Harbor



BUDGET MESSAGE

City Administrator's Budget Message

Way) have been deferred indefinitely. The janitorial service contracts with UPC/Work Inc. and ServiceMaster will be reduced or cut back. In total, these measures are expected to save approximately \$533,000.

With respect to the Waterfront Department's capital program, cost reductions are proposed for the Marina Annual Capital repair program, the annual Stearns Wharf pile driving program, and the replacement of the video security system. The Navy Pier timber replacement project has been eliminated. Additional capital program reductions of approximately \$595,000 will be required during the next three to five years to maintain reserves at minimal required levels.

We will be carefully monitoring the impact of raising the parking fees. The increase may discourage consumers from patronizing businesses in the Harbor and on Stearns Wharf, which could have a negative effect on percentage rent revenue received from Waterfront lessees. Reductions of hourly positions in the Parking Program could result in less parking revenue due to less monitoring in the honor fee lots. Reductions in the Facilities Maintenance programs will mean that less maintenance and janitorial services will be provided.

Because of anticipated work furloughs, as well as the cost reductions noted, the Waterfront Department might not be able to meet its performance goals. The Department's ability to complete minor and major capital projects will also be adversely affected. The reduction of workforce hours will require staff to focus more on accomplishing day-to-day tasks with less time devoted to long-term planning efforts.

CONCLUSION

Producing the proposed Fiscal Year 2010 Budget was the most difficult in recent history. Managers and program owners in our organization are proud of the services they provide to the public and it is especially painful to recommend reductions to programs in which they have invested portions of their professional careers and have public constituencies. Additionally, many of the difficult decisions have a direct impact on the lives of work colleagues, and in some cases, their entire families. I am proud of the professionalism in which the organization dealt with these difficult decisions, and the strong emphasis on maintaining services, while trying to minimize employee layoffs. Many of these proposals will not be popular, but they represent our best collective recommendation on how to deal honestly and professionally with the real economic crisis we face.

I especially want to thank members of the City's Budget Policy Steering Committee, composed of department heads and senior City management, which has met almost weekly over the past



BUDGET MESSAGE

City Administrator's Budget Message

four months to develop a comprehensive financial and management strategy. Their advice and input has been critical in the development of this financial plan.

I also want to thank the Finance Department's budget team, who did the heavy lifting in the preparation of the actual document. They include Director Bob Peirson, Assistant Director Bob Samario, Treasury Manager Jill Taura, Budget Manager Michael Pease, and Financial Analyst Jonathan Abad. Over the past few weeks, they have worked late into the night and on weekends in order to produce the final budget document.

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